

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-94-3
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**ORDER GRANTING EXTENSION OF INCENTIVE
GAS SUPPLY PROCUREMENT PLAN**

(Issued September 18, 2000)

On July 12, 2000, MidAmerican Energy Company (MidAmerican) filed a request for continuation of the Incentive Gas Supply Procurement Plan (IGSPP) with the Utilities Board (Board). MidAmerican requested that the Board grant an extension of the IGSPP for a two-year period ending October 31, 2002, under the same terms and conditions as currently exist. The filing was identified as Docket No. RPU-94-3. On July 19, 2000, the Consumer Advocate Division of the Justice Department (Consumer Advocate) filed a response stating that it did not object to the extension. On August 21, 2000, MidAmerican filed additional information concerning the IGSPP.

The IGSPP was originally approved by a "Final Decision and Order" issued on May 19, 1995, and "Order Granting Rehearing In Part And Denying Rehearing In Part" issued June 30, 1995. The plan as originally approved consisted of four primary components in which actual gas supply costs were measured against

market-based benchmarks. The components are (1) natural gas commodity costs, (2) pipeline reservation costs, (3) storage injection costs, and (4) transportation costs.

On May 28, 1999, the IGSP was extended for a two-year period based upon a settlement between MidAmerican and Consumer Advocate. The settlement retained the mechanics of the plan, but changed the calculations of savings. An amendment to the settlement was approved by the Board on February 17, 2000. The settlement, as amended, changed the reference price in the commodity costs component by adding a \$2.2 million annual supply premium to recognize that MidAmerican was required to pay reservation costs for firm supply to ensure reliability. For the pipeline reservation costs, the reference price was changed from the Federal Energy Regulatory Commission (FERC) authorized maximum rates to reasonably comparable contracts in terms of pipeline company, receipt points, and service for the previous year. No changes were made in the agreement to the storage injection costs component and the transportation costs component.

The Board will grant the request for an extension of the IGSP. The Board has reviewed the conditions and terms of the current IGSP, as established by the settlement, as amended, and finds that the plan's mechanics require MidAmerican to continually improve its cost of gas to receive any benefit from the plan. The plan is designed to share savings between MidAmerican's shareholders and ratepayers. To continue to earn savings, MidAmerican must keep negotiating more favorable discounted contracts. Thus, the plan operates as a true incentive for MidAmerican to

continually improve its purchasing methods and practices. Overall savings of approximately \$49 million have already been realized from the plan, and the Board finds that it is in the public interest to extend the incentive for MidAmerican to pursue these types of savings into the future.

IT IS THEREFORE ORDERED:

MidAmerican Energy Company's request for an extension of its Incentive Gas Supply Procurement Plan for a two-year period until October 31, 2002, is granted.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr. /s/ Diane Munns
Executive Secretary

Dated at Des Moines, Iowa, this 18th day of September, 2000.